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FM AMEMBASSY MANILA

TO RUEHC/SECSTATE WASHDC IMMEDIATE 7886

INFO RUEHZU/ASIAN PACIFIC ECONOMIC COOPERATION IMMEDIATE

RULSDMK/DEPT OF TRANSPORTATION WASHDC IMMEDIATE

RHMFISS/FAA NATIONAL HQ WASHINGTON DC IMMEDIATE

C O N F I D E N T I A L SECTION 01 OF 02 MANILA 002776

SIPDIS

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SINGAPORE AND TOKYO FOR FAA REP

E.O. 12958: DECL: 08/15/2027

TAGS: FAIR ECON RP

SUBJECT: PHILIPPINE AIRLINES CHAIRMAN CONVEYS CONCERNS  
ABOUT POSSIBLE FAA DOWNGRADE

REF: STATE 77690

Classified By: CDA Paul Jones, reasons 1.4 C,D

11. (SBU) Summary: Philippine Airlines Chairman and Chief Executive Officer Lucio C. Tan met with Embassy Manila Acting Deputy Chief of Mission Jon Lindborg, Econ, and FCS late on August 13 to express his alarm over recently learning of a possible Federal Aviation Administration (FAA) International Aviation Safety Assessment (IASA) downgrade of the Philippines from Category 1 to Category 2. He offered his personal assurance that the problems noted by the FAA would be corrected within six months if the FAA decision could be delayed for that long. Post in turn emphasized need for Philippine Aviation Transportation Office to take actions to address long standing regulatory and safety oversigh defficiencies. Action request para 6. End Summary.

Negative Impact on Philippine Economy

12. (SBU) To open the meeting, Tan provided Embassy with copies of a page taken from a draft of FAA report indicating serious deficiencies were found in Philippine air safety regulations during a July 2007 assessment. He did not say where he obtained this report, but expressed shock that he had been told that a downgrade would take place immediately once the negative report was made public by the FAA in the near future. Tan noted this action would have serious financial implications for his company and negative implications for the overall Philippine economy in terms of tourism and tourism related travel. He said that a downgrade would make it difficult to use the new Boeing 777 planes that his airline had recently agreed to purchase for new routes to the United States. However Post noted that first delivery of the 777 order is not expected untill early 2009.

Tan wants to make a deal

13. (SBU) Speaking in Chinese, Tan offered that in exchange for a six-month "grace period" in announcing the FAA finding he would give his personal guarantee that the Philippine Government would take all necessary steps to overcome the problems listed in the FAA report, including new legislation that would give more power to Philippine Aviation Transportation Office (ATO, the civair regulator) and its hiring of better qualified technicians. He said he would meet with the Philippine President to ensure the government understood the seriousness of the issue and what steps needed to be taken.

14. (SBU) Embassy explained that the FAA had been warning for years that the Philippines was at high risk of being

downgraded and that we all wanted to see the safety deficiencies resolved as quickly as possible. Embassy agreed to report Tan's concerns back to Washington agencies and inform him of the response.

FAA Report Status?

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¶ 15. (SBU) In June, Embassy delivered to Philippine Government officials reftel talking point that "The Embassy will provide FAA's written assessment report to the GRP within two weeks following the completion of the assessment team's visit". The assessment team visit took place on July 23-27, but Embassy has not yet received such any such report.

Embassy comment and action request

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¶ 16. (C) Tan's willingness to offer his personal guarantee of extensive Philippine Government action reveals the kind of political influence he has traditionally wielded. His linkage between his purchase of Boeing aircraft and the FAA downgrade shows the type of deals he is used to making. Embassy believes Tan has the influence to get the Philippine Government to implement some of the safety reforms that the FAA has been asking of the ATO for years. However given to fact that new legislation and regulatory reforms may well be required his actual span of influence may be more limited. Embassy requests a timely response from Washington agencies to the Tan proposal described in para 3. Since the negative FAA report has appeared now leaked to some business people Embassy also requests a copy of the report and talking points for explaining it.

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Bio Note on Lucio Tan

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¶ 17. (SBU) Lucio C. Tan (Pinyin: Chen Yongzhan) is one of the best known and richest Chinese-Filipino businessmen in the Philippines. In 2007 Forbes magazine listed him as the 407th richest person in the world. He was born in Fujian Province, China in 1934 and considers the Fujian dialect as his native language. In addition to Philippine Airlines, the Lucio C. Tan group of companies includes extensive agribusiness, banking, chemicals, education, food, and retail businesses. According to his published biography, in his capacity as vice president, president, and now honorary president of the Federation of Filipino-Chinese Chambers of Commerce and Industry, Mr. Tan has worked toward fostering friendly relations between his adopted and native countries.

JONES